

HIRING TO ACHIEVE COST REDUCTION AND PROFITABILITY GOALS:

9 Tips for Hiring the Right People in Difficult Times

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Is your company pursuing cost reduction and control? Are you looking for new ways to reduce costs while preserving your technical excellence and customer value?

Today companies in Southern California and throughout the country expect the recovery, when it comes, will be one of slow-growth for the foreseeable future.

To achieve revenue and profitability in a slow-growth economy companies need to:

1. Capture a larger share of smaller markets – knowing that the low cost producer always has an advantage
2. Reduce costs to enable price reductions and still be profitable
3. Use cost savings that allow you to invest in improving factors that drive customer value

Do you have these skills at your disposal? One way for HR to contribute to reducing costs today, as well as build an on-going cost reduction culture for the future, is to hire people who have the experience, knowledge and skills needed to execute actions that are successfully reducing costs today, and can also put those skills to work right away. Below are nine tactics derived from recent surveys of Southern California financial executives who listed their most successful cost reduction strategies.

1. Process improvement experience and skills

Ineffective and inefficient processes that cause waste, delays, and unnecessary costs can exist in every part of an organization. Effective processes can lower costs and increase customer value at the same time. Executives are looking for people with experience improving processes, reducing costs, improving quality and stimulating operations simultaneously. For your company, find out what processes are targeted for improvement and what knowledge and skills are needed. Figure 1 lists some of the common process improvement programs. **Ask candidates for ideas and insights they can put to work immediately.**

2. Experience and demonstrated success in multi-disciplinary teams

Many companies are organized into functional departments that act as silos. This leads to poor communication and cooperation between groups causing waste of resources, poor quality, delays, and customer dissatisfaction. **Does your company have a silos problem ?**

Research has shown that multi-disciplinary teams very often perform better analyses and make better decisions. This can be especially true for cost reduction teams. It is very important to have finance managers or professionals on cost-reduction teams.

Using multi-function teams tends to break down the barriers between departments. **Can your candidates successfully facilitate meetings of engineering, marketing, manufacturing, and finance staff members, all of whom likely have different perspectives about managing the business? Ask about their techniques for managing conflicts.**

3. Experience in cost-management and cost-reduction initiatives, with a strong desire to reduce all costs all the time

People with examples of successful cost-reduction programs they can employ in your company are likely to be recruited and hired. Ideal candidates are people with the knowledge and desire to train others as well. Executives reported significant cost-reduction success resulted from increased cost-management training and by informing employees how their work affected costs. Most employees are amazed when they learn how small improvements can equate to significant improvements in the bottom line.

What cost reduction projects are being planned for your company? Do the candidates have experience in those areas? Can they bring ideas and insights they can put to work immediately?

4. A diverse skill-set

A wide range of skills that give a company flexibility to meet future needs is always a plus, such as: **a)** quickly taking over jobs previously filled by people who were laid off, without delays, waste of resources, and reduced quality (i.e., ability to learn quickly); **b)** quickly taking over work reincorporated from outside suppliers; and, **c)** having experience with changing job definitions due to downsizing facilities or consolidating operations.

“We have found that increasingly companies have to do more with less during these tough times so this is exactly what our clients are looking for. A person with a wide range of skills can step in and fill holes that were created during mass lay-offs. While we recommend job seekers target specific positions, we also encourage them to communicate competency in a wide variety of functional areas”. - Ken Tudhope President, Project Pro Search

Survey respondents also reported increasing workforce flexibility through cross-functional training. **Has your candidate experienced this type of change?**

5. Ability to learn new skills

This skill can be very important in times of layoffs, rapid changes in customer needs, technological changes and bringing work back inside from outside suppliers. Ask candidates for examples of learning skills, how those skills were used, and what difficulties they encountered.

6. Cost Reduction Mindset

Are your product designers willing to design for cost reduction as well as technical excellence (e.g. reusing current designs and/or current equipment rather than buying new equipment, etc.?) People in all functions tend to prefer using tools, techniques and systems they have developed or are comfortable and competent in using. The transition from “primary focus” on quality to “adequate” quality at lower cost can be difficult for some engineers and others. Executives indicated success in shifting the focus from product and technology to profitability by showing employees how their work contributed to revenue, profit, asset productivity, and cash flow. Employees are motivated when they learn how small improvements they make affect the bottom line.

7. Forecasting and planning skills

Inaccurate forecasts and incomplete plans can lead to significant delays, waste, and frustration throughout an organization. A significant number of executives indicated that improved planning produced large cost reductions. Sound forecasting and planning methods include sensitivity analysis, documenting assumptions, and risk analysis.

Forecasting and planning skills are critical in times that require cutting costs to meet customer demands for price reductions while maintaining product quality and profit margins. Ask candidates for examples of successful and unsuccessful plans they have used in their past work.

8. Inventory control knowledge

It's important to understand the costs of carrying inventory as well as ways to reduce or eliminate problems that cause excess inventory, including:

1. Improving forecast accuracy: Inaccurate forecasts cause extra inventory 'just in case' the plans change at the last minute.
2. Increasing on-time deliveries from raw materials to WIP, to finished goods, to product delivery and then installation.
3. Improving inventory records
4. Improving product quality
5. Shortening production cycle times

What are the candidate experiences with inventory problems, causes of the problems, and the corrective actions that were taken to reduce or remove them?

9 Sound financial knowledge.

Sound financial knowledge is required to understand the needs for cost reduction, actions that can be taken to reduce costs without reducing technical excellence or customer value, and the ability to motivate other employees to take action as soon as possible.

While very few of the executives listed "improving employee selection" as one of their cost cutting techniques, it was obvious from their responses that skills in these areas are very useful! Do you ask for evidence of these skills in your job interviews? Do you have (or are you looking for) process improvement skills? Make sure your interview questions address meeting your cost reduction needs when looking to hire the right talent.

Figure 1 PROCESS IMPROVEMENT EXAMPLES

Improve these processes	Benefits
Production processes	Reduce amounts of purchased materials required
Business processes where outside suppliers are employed	Reduce purchased services
Human resources processes – hiring, training, talent management, etc.	Reduce time, costs, and delays
Administrative processes	Reduce time, costs, and quality of administrative services
Processes that use equipment	Reduce the need for new equipment and improve equipment productivity

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